



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MADISON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MADISON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Madison County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Madison County's major federal program, Chemical Emergency Preparedness Program (CSEPP), for the year ended June 30, 2001.

Financial Condition:

General Fund Type balances increased by \$1,283,592 and Special Revenue Fund Type balances increased by \$475,223 from the prior fiscal year. A new debt service fund were established during fiscal year ended June 30, 2001 for the purposes of providing short-term financing for the regional airport project. The short-term debt service for the Capital Projects Corporation Fund was provided from the proceeds of a grant received by the Madison County Airport Board, Inc.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$2,510,000.

Capital lease principal agreements totaled \$2,987,361 as of June 30, 2001. Future principal and interest payments of \$4,279,267 are needed to meet these obligations.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Deposits:

As of June 30, 2001, \$280,255 of the county's deposits were uninsured and uncollateralized by bank securities or bonds. In addition, the county did not have written agreements with all of its depository institutions to protect its deposits.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MADISON COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	12
NOTES TO FINANCIAL STATEMENTS	16
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	29
SCHEDULE OF OPERATING REVENUE	33
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	36
SCHEDULE OF CAPITAL PROJECTS CORPORATION FUND EXPENDITURES	41
SCHEDULE OF KADD FINANCING TRUST/FAMILY COURT FACILITIES PROJECT FUND EXPENDITURES	45
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	61
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	62
APPENDIX A	
CERTIFICATE OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Kent B. Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Madison County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Madison County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Madison County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Madison County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Kent B. Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2002 on our consideration of Madison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Madison County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 15, 2002

MADISON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Kent Clark	County Judge/Executive
Larry Combs	Magistrate
Forniss Park	Magistrate
Billy Ray Hughes	Magistrate
William H. Tudor	Magistrate

Other Elected Officials:

Marc Robbins	County Attorney
Ron Devere	Jailer
Mary Jane Ginter	County Clerk
Linda Cates	Circuit Court Clerk
Cecil Cochran	Sheriff
Stephen M. Smith	Property Valuation Administrator
James A. Cornelison	Coroner

Appointed Personnel:

Brent Baldwin	County Treasurer
Shirl Cross	Occupational Tax Collector/ Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MADISON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 2,857,612	
Road and Bridge Fund:		
Cash	85,753	
Jail Fund:		
Cash	46,437	
Local Government Economic Assistance Fund:		
Cash	342,950	
Occupational Employment Tax Fund:		
Cash	25,316	
Goggins Lane Bridge Fund:		
Cash	31,587	
Capital Improvements Fund:		
Cash	8,953	
Investments	1,142,923	
Payroll Revolving Account - Cash	57,677	
Payroll Withholding Tax Account - Cash	<u>6,991</u>	\$ 4,606,199

Special Revenue Fund Type

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund:

Cash	\$ 796,640	
Community Development Block Grant (CDBG) Fund:		
Cash	2,706	
E-911 Fund:		
Cash	<u>219,223</u>	1,018,569

Debt Service Fund Type

Public Properties Courthouse Corporation Fund - 1995 Series:

Cash	342,329
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The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Kentucky	
Association of Counties Leasing Trust Agreements - Principal	\$ 779,361
Amounts to be Provided in Future Years From Administrative	
Office of the Courts and/or Fiscal Court for Kentucky Area	
Development District Financing Trust Lease Agreements - Principal	1,835,000

Road and Bridge Fund:

Amounts to be Provided in Future Years for Kentucky Area	
Development District Financing Trust Lease Agreement - Principal	<u>373,000</u> \$ 2,987,361

Debt Service Fund Type

Public Properties Courthouse Corporation Fund - 1995 Series:

Amounts to be Provided in Future Years for Bond Payments	<u>2,167,671</u>
--	------------------

Total Assets and Other Resources	<u><u>\$ 11,122,129</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Agreements - Principal	
Kentucky Association of Counties Leasing Trust (Note 5-A,B)	\$ 779,361
Kentucky Area Development District Financing Trust (Note 5-C,D)	1,835,000

Road and Bridge Fund:

Kentucky Area Development District Financing Trust	
Lease Agreement - Principal (Note 5-E)	373,000

Payroll Revolving Account	57,677
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Payroll Withholding Tax Account	<u>6,991</u> \$ 3,052,029
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The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Type

Public Properties Courthouse Corporation Fund - 1995 Series:

Bonds Not Matured (Note 4)	\$ 2,510,000
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Fund Balances

Reserved:

Special Revenue Fund Type

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund	\$ 796,640	
Community Development Block Grant (CDBG) Fund	2,706	
E-911 Fund	219,223	1,018,569

Unreserved:

General Fund Type

General Fund	\$ 2,857,612	
Road and Bridge Fund	85,753	
Jail Fund	46,437	
Local Government Economic Assistance Fund	342,950	
Occupational Employment Tax Fund	25,316	
Goggins Lane Bridge Fund	31,587	
Capital Improvements Fund	1,151,876	4,541,531

Total Liabilities and Fund Balances		\$ 11,122,129
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MADISON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 13,841,611	\$ 5,994,472	\$ 1,694,004	\$ 1,210,342
Transfers In	3,936,256	2,788,370	675,000	160,000
Anticipation Note Proceeds	500,000			
Kentucky Advance Revenue Program	2,216,000	2,216,000		
Lease-Purchase Proceeds	1,215,000			
Total Cash Receipts	<u>\$ 21,708,867</u>	<u>\$ 10,998,842</u>	<u>\$ 2,369,004</u>	<u>\$ 1,370,342</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 12,252,321	\$ 6,029,910	\$ 2,282,397	\$ 1,351,304
Schedule of Capital Projects				
Corporation Fund Expenditures	360,749			
Schedule of KADD Financing Trust and Family Court Facilities Project				
Fund Expenditures	28,630			
Transfers Out	3,936,256	1,147,886		
Notes:				
Principal Paid	500,000			
Interest Paid	12,834			
Bonds:				
Principal Paid	205,000			
Interest Paid	128,758			
Kentucky Association of Counties				
Leasing Trust - Principal Payments	146,850	146,850		
Kentucky Area Development District				
Financing Trust - Principal Payment	135,000	70,000	65,000	
Kentucky Advance Revenue Program				
Repaid	2,216,000	2,216,000		
Total Cash Disbursements	<u>\$ 19,922,398</u>	<u>\$ 9,610,646</u>	<u>\$ 2,347,397</u>	<u>\$ 1,351,304</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 1,786,469	\$ 1,388,196	\$ 21,607	\$ 19,038
Cash Balance - July 1, 2000 *	<u>4,115,960</u>	<u>1,469,416</u>	<u>64,146</u>	<u>27,399</u>
Cash Balance - June 30, 2001 *	<u>\$ 5,902,429</u>	<u>\$ 2,857,612</u>	<u>\$ 85,753</u>	<u>\$ 46,437</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type				
Local Government Economic Assistance Fund	Occupational Employment Tax Fund	Goggins Lane Bridge Fund	Capital Improvements Fund	KADD Financing Trust/ Family Court Facilities Project Fund
\$ 236,931	\$ 1,623,856	\$ 1,100	\$	\$
				1,215,000
\$ 236,931	\$ 1,623,856	\$ 1,100	\$ 0	\$ 1,215,000
\$ 376,506	\$	\$	\$	\$
	1,602,000			28,630
				1,186,370
\$ 376,506	\$ 1,602,000	\$ 0	\$ 0	\$ 1,215,000
\$ (139,575)	\$ 21,856	\$ 1,100	\$	\$
482,525	3,460	30,487	1,151,876	
\$ 342,950	\$ 25,316	\$ 31,587	\$ 1,151,876	\$ 0

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

	<u>Special Revenue Fund Type</u>		
	<u>CSEPP</u>	<u>CDBG</u>	<u>E-911</u>
<u>Cash Receipts</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Schedule of Operating Revenue	\$ 2,398,446	\$ 30,318	\$ 258,663
Transfers In			
Anticipation Note Proceeds			
Kentucky Advance Revenue Program			
Lease-Purchase Proceeds			
Total Cash Receipts	<u>\$ 2,398,446</u>	<u>\$ 30,318</u>	<u>\$ 258,663</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget			
and Budgeted Expenditures	\$ 1,872,237	\$ 30,318	\$ 309,649
Schedule of Capital Projects			
Corporation Fund Expenditures			
Schedule of KADD Financing Trust and			
Family Court Facilities Project			
Fund Expenditures			
Transfers Out			
Notes:			
Principal Paid			
Interest Paid			
Bonds:			
Principal Paid			
Interest Paid			
Kentucky Association of Counties			
Leasing Trust - Principal Payments			
Kentucky Area Development District			
Financing Trust - Principal Payment			
Kentucky Advance Revenue Program			
Repaid			
Total Cash Disbursements	<u>\$ 1,872,237</u>	<u>\$ 30,318</u>	<u>\$ 309,649</u>
Excess (Deficiency) of Cash Receipts			
Over (Under) Cash Disbursements	\$ 526,209	\$	\$ (50,986)
Cash Balance - July 1, 2000 *	<u>270,431</u>	<u>2,706</u>	<u>270,209</u>
Cash Balance - June 30, 2001 *	<u>\$ 796,640</u>	<u>\$ 2,706</u>	<u>\$ 219,223</u>

* Cash Balance Includes Investments

MADISON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

Debt Service Fund Type	
Public	
Properties	Capital
Courthouse	Projects
Corporation	Corporation
Fund	Fund
\$ 19,896	\$ 373,583
312,886	500,000
<u>\$ 332,782</u>	<u>\$ 873,583</u>
\$	\$
	360,749
	500,000
	12,834
205,000	
128,758	
<u>\$ 333,758</u>	<u>\$ 873,583</u>
\$ (976)	\$
343,305	
<u>\$ 342,329</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Madison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Courthouse Corporation Fund, Capital Projects Corporation Fund, and KADD Financing Trust/Family Court Facilities Project Fund as part of the reporting entity.

The Public Properties Courthouse Corporation (the Corporation) is a legally separate entity established to provide long term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

The Capital Projects Corporation (the Corporation) is a legally separate entity established to provide short-term debt service for the regional airport project. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

The KADD Financing Trust/Family Court Facilities Fund is established for the Fiscal Court for the purpose of providing long-term financing for approved projects. A third party trustee maintains the fund on the Fiscal Court's behalf; therefore, management must include the fund as a part of the reporting entity and their financial activity is blended with that of the Fiscal Court.

Additional - Madison County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Madison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Madison County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Madison County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Occupational Employment Tax Fund, Goggins Lane Bridge Fund, Capital Improvements Fund, and KADD Financing Trust/Family Court Facilities Project Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The CSEPP Fund, the CDBG Fund, and the E-911 Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general short-term or long-term debt principal and interest and includes funds for the Public Properties Courthouse Corporation and the Capital Projects Corporation. Long-term debt service for the Public Properties Courthouse Corporation is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year. The short-term debt service for the Capital Projects Corporation was provided from the proceeds of a grant received by the Madison County Airport Board, Inc.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Madison County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

Formal budgets are not adopted for the Public Properties Courthouse Corporation Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

Formal budgets are not required to be adopted for the KADD Financing Trust/Family Court Facilities Project Fund (General Fund Type) and the Capital Projects Corporation Fund (Debt Service Fund Type).

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Madison County Fiscal Court: Madison County Utility District, Madison County Sanitation District #2, North Madison County Sanitation District, Southern Madison Water District, and Kirksville Water District.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Jointly Governed Organizations

The Madison County Airport Board, Inc. whose purpose is to oversee the day-to-day operations of the airport, is a joint board of the County and the cities of Berea and Richmond. The County Judge/Executive with the approval of the fiscal court appoints two members, the Mayor of Berea with the approval of the City Council appoints two members, and the Mayor of Richmond with the approval of the City Council appoints two members. The County has no equity interest. The County contributed \$10,000 to the Madison County Airport Board, Inc. for the year ended June 30, 2001.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$280,255 of public funds uninsured and unsecured. In addition, the county did not have written agreements with all of its depository institutions securing the county's interest in the collateral.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits and Investments (Continued)

A. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 4,558,086
Uncollateralized and uninsured	<u>280,255</u>
Total	<u>\$ 4,838,341</u>

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

<u>Types of Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Treasury Securities	\$ 1,142,923	\$ 0	\$ 0	\$ 1,142,923	\$ 2,050,998

Note 4. Long-Term Debt

Bonds outstanding of the Public Properties Courthouse Corporation Fund are:

<u>Due Date</u>	<u>Interest</u>	<u>Principal Amount</u>
4/1/2002	\$ 119,225	\$ 2,190,000
4/1/2003	15,200	35,000
4/1/2004	13,538	35,000
4/1/2005	11,875	40,000
4/1/2006	9,975	40,000
4/1/2007	8,075	40,000
4/1/2008	6,175	45,000
4/1/2009	4,037	85,000
Total Bonds Outstanding June 30, 2001	<u>\$ 188,100</u>	<u>\$ 2,510,000</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements

- A. On July 2, 1996, the Madison County Fiscal Court entered into a 23-year leasing agreement with KACo Leasing Trust for the Madison County Extension building. Principal payments are due monthly. The county has made \$150,000 in additional principal payments thereby reducing the term of the lease by four years.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Payment</u>
06/30/2002	\$ 14,540	\$ 19,933
06/30/2003	12,773	20,849
06/30/2004	11,971	21,807
06/30/2005	10,683	22,808
06/30/2006	10,256	23,856
06/30/2007	9,338	24,952
06/30/2008	8,378	26,098
06/30/2009	7,375	27,297
06/30/2010	6,325	28,551
06/30/2011	5,227	29,863
06/30/2012	4,079	31,235
06/30/2013	2,877	32,670
06/30/2014	1,621	34,171
06/30/2015	357	24,395
	<hr/>	<hr/>
Totals as of June 30, 2001	<u>\$ 105,800</u>	<u>\$ 368,485</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements (Continued)

- B. On August 6, 1997, the Madison County Fiscal Court entered into a 15-year leasing agreement with KACo Leasing Trust for the construction of a fire station. Principal payments are due monthly.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
6/30/2002	\$ 14,980	\$ 29,063
6/30/2003	13,862	30,398
6/30/2004	12,693	31,795
6/30/2005	11,471	33,255
6/30/2006	10,192	34,783
6/30/2007	8,854	36,381
6/30/2008	7,455	38,052
6/30/2009	5,992	39,801
6/30/2010	4,461	41,629
6/30/2011	2,860	43,542
6/30/2012	1,186	45,542
6/30/2013	29	6,635
Totals as of June 30, 2001	<u>\$ 94,035</u>	<u>\$ 410,876</u>
Total KACo Leasing Trust Agreements		<u>\$ 779,361</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements (Continued)

- C. On February 12, 1998, the Madison County Fiscal Court entered into a 20-year leasing agreement with the KADD Financing Trust for the replacement of the HVAC system in the courthouse and related improvements and replacements. Principal payments are due annually by November 20.

Fiscal Year Ending June 30	Principal Payment	Scheduled Interest and Bank Charges	Total Payment	Less AOC Rental Amount*	Net Amount Due From County
2002	\$ 25,000	\$ 34,920	\$ 59,920	\$ (23,696)	\$ 36,224
2003	25,000	33,720	58,720	(23,696)	35,024
2004	30,000	32,400	62,400	(23,696)	38,704
2005	30,000	31,030	61,030	(23,696)	37,334
2006	30,000	29,482	59,482	(23,696)	35,787
2007-2018	525,000	208,444	733,444	(272,504)	460,939
Totals	<u>\$ 665,000</u>	<u>\$ 369,996</u>	<u>\$ 1,034,996</u>	<u>\$ (390,984)</u>	<u>\$ 644,012</u>

*In accordance with a sublease agreement between Administrative Office of the Courts (AOC) and the Madison County Fiscal Court dated March 1, 1998, AOC committed itself to participate in providing part of the costs of replacing the HVAC system in the courthouse and related improvements through use allowance payments.

- D. On July 20, 2000, the Madison County Fiscal Court entered into a 17-year leasing agreement with KADD Financing Trust for the construction costs of the family court facilities project. Principal payments are due annually by May 20.

Due Date	Scheduled Interest	Principal Amount
5/20/2002	\$ 66,616	\$ 50,000
5/20/2003	64,116	50,000
5/20/2004	61,614	55,000
5/20/2005	58,864	55,000
5/20/2006	56,111	60,000
5/20/2007-2017	364,040	900,000
Total	<u>\$ 671,361</u>	<u>\$ 1,170,000</u>
Total General Fund KADD Lease Agreements (Principal)		<u>\$ 1,835,000</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements (Continued)

- E. On April 21, 1999, the Madison County Fiscal Court entered into a 7-year leasing arrangement with KADD Financing Trust for the purchase of road equipment. Principal payments are due semi-annually by November 20 and May 20.

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
6/30/2002	\$ 17,095	\$ 68,200
6/30/2003	13,783	71,500
6/30/2004	10,310	74,900
6/30/2005	6,672	78,600
6/30/2006	<u>2,854</u>	<u>79,800</u>
Totals as of June 30, 2001 For Road and Bridge Fund	<u>\$ 50,714</u>	<u>\$ 373,000</u>

Note 6. Extension Office Sublease Agreement

On July 2, 1996, the Madison County Fiscal Court entered into a 23-year leasing agreement with KACo Leasing Trust for the Madison County Extension building. On that same date, the Madison County Fiscal Court and the Madison County Extension District entered into a sublease which stated the Madison County Extension District will reimburse the county all rental payments as set out in the county's KACo Leasing Trust agreement. As of June 30, 2001, the Madison County Extension District was in substantial compliance with the agreement.

Note 7. Interlocal Cooperation Agreement

The Madison County Fiscal Court entered into an Interlocal Cooperation Agreement with the Central Kentucky Counties in order to jointly establish a program to provide assistance in the financing of single-family housing known as Residential Mortgage Program. The Madison County Fiscal Court authorized the issuance of up to \$10,000,000 of Residential Mortgage Revenue Bonds to finance the program.

Note 8. Subsequent Events

The Madison County Public Properties Courthouse Corporation, at the direction of the County, authorized its Madison County General Obligation Refunding and Improvement Bonds, Series 2001, dated August 31, 2001, in the principal amount of \$3,320,000 in order to finance courthouse renovations and refinancing the 1995 bond issue.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2001, Madison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ending June 30, 2001, the Madison County Jail received \$231,244 and expended \$226,109. The ending balance of the Madison County Jail Canteen as of June 30, 2001 was \$13,384.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MADISON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 10,747,713	\$ 5,994,472	\$ (4,753,241)
Road and Bridge Fund	1,873,808	1,694,004	(179,804)
Jail Fund	1,054,469	1,210,342	155,873
Local Government Economic Assistance Fund	188,000	236,931	48,931
<u>Special Revenue Fund Type</u>			
CSEPP Fund	3,934,393	2,398,446	(1,535,947)
CDBG Fund	41,562	30,318	(11,244)
E-911 Fund	<u>267,000</u>	<u>258,663</u>	<u>(8,337)</u>
Totals	<u>\$ 18,106,945</u>	<u>\$ 11,823,176</u>	<u>\$ (6,283,769)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 18,106,945
Add: Budgeted Prior Year Surplus			1,825,000
Add: Other Financing Uses			<u>473,000</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 20,404,945</u>

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SCHEDULE OF OPERATING REVENUE

MADISON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 4,168,756	\$ 3,979,866	\$ 188,890	\$
Excess Fees	250,557	250,557		
Licenses and Permits	397,598	397,598		
Intergovernmental Revenues	7,867,773	5,449,489	2,418,284	
Charges for Services	108,001	79,481	28,520	
Miscellaneous Revenues	778,900	372,203	37,363	369,334
Interest Earned	270,026	231,511	14,370	24,145
Total Operating Revenue	<u>\$ 13,841,611</u>	<u>\$ 10,760,705</u>	<u>\$ 2,687,427</u>	<u>\$ 393,479</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MADISON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,162,079	\$ 1,087,614	\$ 74,465
Protection to Persons and Property	2,389,662	2,347,776	41,886
General Health and Sanitation	339,106	325,168	13,938
Social Services	117,438	88,623	28,815
Recreation and Culture	475,500	465,860	9,640
Roads	2,851,450	2,563,355	288,095
Debt Service	125,250	145,157	(19,907)
Capital Projects	6,164,618	1,985,707	4,178,911
Administration	2,236,887	1,030,857	1,206,030
 Total Operating Budget - All General Fund Types	 \$ 15,861,990	 \$ 10,040,117	 \$ 5,821,873
Other Financing Uses:			
Transfers to Public Property			
Courthouse Corporation Fund	340,000	312,886	27,114
KADD Leases - Principal			
Family Court Facilities	45,000	45,000	
HVAC Lease	25,000	25,000	
Road Equipment Lease	65,000	65,000	
KACO Leasing Trust Agreements-			
Principal-			
Extension Service	121,000	119,063	1,937
Fire Station Lease	31,000	27,787	3,213
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	2,216,000	2,216,000	
 TOTAL BUDGET - ALL GENERAL FUND TYPES	 \$ 18,704,990	 \$ 12,850,853	 \$ 5,854,137

MADISON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

<u>Expenditure Categories</u>	<u>SPECIAL REVENUE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	\$ 4,234,754	\$ 2,057,174	\$ 2,177,580
Capital Projects	43,562	30,318	13,244
Administration	<u>264,639</u>	<u>124,712</u>	<u>139,927</u>
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	 \$ 4,542,955	 \$ 2,212,204	 \$ 2,330,751

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SCHEDULE OF CAPITAL PROJECTS CORPORATION FUND EXPENDITURES

MADISON COUNTY
SCHEDULE OF CAPITAL PROJECTS CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	
Runway Widening	\$ 243,397
Engineer Services	43,651
Land	66,000
Surveying	2,138
Underwriter's Discount	2,500
Miscellaneous	563
Cost of Issuance	<u>2,500</u>
Totals	<u><u>\$ 360,749</u></u>

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SCHEDULE OF KADD FINANCING TRUST/FAMILY COURT
FACILITIES PROJECT FUND EXPENDITURES

MADISON COUNTY
SCHEDULE OF KADD FINANCING TRUST/FAMILY COURT
FACILITIES PROJECT FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Items

Cost of Issuance	\$ 15,000
KADD Financing Trust - Principal/Interest - HVAC Lease	13,630
Total	<u>\$ 28,630</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Kent B. Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Madison County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

- Reference Number 2001-1: The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 15, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Kent B. Clark, Madison County Judge/Executive

Members of the Madison County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Madison County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Madison County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Madison County's management. Our responsibility is to express an opinion on Madison County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Madison County's compliance with those requirements.

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Madison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 15, 2002

FINDINGS AND QUESTIONED COSTS

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Madison County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Madison County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Madison County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Madison County reported in Part C of this schedule.
7. The program tested as a major program was Chemical Stockpile Emergency Preparedness Program (CSEPP) CFDA #83.549.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Madison County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

Reference Number 2001-1

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2001, \$280,255 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institutions to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Treasurer Brent Baldwin's Response:

The required pledges and written agreements are now in place. The unsecured amounts have been addressed.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2001
(Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs:</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government: Community Development Block Grants- Microenterprise Project-WINGS (CFDA #14.228)	M-00036142	\$ 30,318
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	Not Available	\$ 8,282
Chemical Stockpile Emergency Preparedness Program (CFDA #83.549)	EMA-2001- GR-0043	1,855,449
Total U.S. Federal Emergency Management Agency		\$ 1,863,731
Total Cash Expenditures of Federal Awards		\$ 1,894,049
<u>Noncash Programs:</u>		
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Agriculture: Jail Commodity Program (CFDA #10.550)		\$ 1,510

MADISON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis except for the noncash program, which represents commodities received and distributed by the county. The dollar value of these commodities has been provided by the Department of Agriculture.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

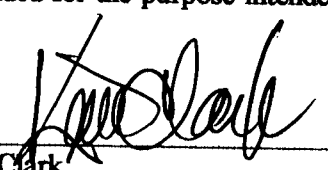
MADISON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

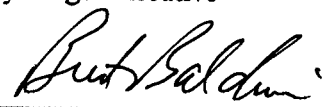
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MADISON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Madison County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Kent Clark
County Judge/Executive



Brent Baldwin
County Treasurer